

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762

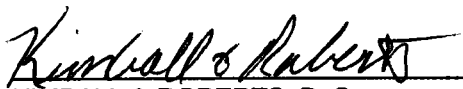
We have audited the accompanying financial statements of the governmental activities of Cedar Mountain Fire Protection District, a component unit of Kane County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cedar Mountain Fire Protection District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Cedar Mountain Fire Protection District as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2006, on our consideration of Cedar Mountain Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 28 through 29, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 28, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

Cedar Mountain Fire Protection District Management's Discussion and Analysis

The discussion and analysis of Cedar Mountain Fire Protection District's ("District") financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The District is authorized to provide fire protection and suppression within the District and any other lawful activity allowed by their resolution, including Emergency Medical Services (EMS). The District's Administrative Control Board consists of seven (7) members, each of whom is appointed by the Kane County Commission to serve a two year term.

Financial Highlights:

- The District owns a fire station, fire fighting and emergency medical services vehicles and equipment to enable them to respond to fires and emergency medical services within the District boundaries. The District is funded by fees assessed on properties within the District. Kane County assesses and collects these fees with property taxes on these properties and distributes these fees to the District. In 2005 the District amended its charter to include snow removal. An annual fee is now charged for snow removal to those that have approved roads and fire hydrants.
- The assets of the District exceeded its liabilities at the close of the most recent year by \$1,207,024 (*net assets*). Of this amount, \$671,765 (*unrestricted net assets*) may be used to meet the District's ongoing obligations, fire protection snow removal and emergency medical services needed for the citizens of the District.
- As of the close of the current calendar year, the District's governmental funds reported combined ending fund balances of \$980,445, an increase of \$168,845. Of this fund balance \$671,765 is available for spending at the District's discretion (*unreserved fund balance*).
- At the end of the current calendar year, unreserved fund balance for the general fund was \$671,765, or 119% of total general fund expenditures.
- During 2005, the District acquired a building lot for a new fire station, through donation by prior owner. The value of the land was \$115,000. The District also obtained a revenue bond to aid in construction of the new Fire Station #2. This revenue bond was \$286,000. It is contemplated that construction will be completed in 2006. Also, a new vehicle was purchased for the fire chief, at a value of \$36,492. They have worked on a new repeater station, which was added for \$8,600.
- The District's total debt increased by \$262,285 (160%) during the current calendar year. This was due to the issuance of lease revenue bonds of \$286,000.

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Cedar Mountain Fire Protection District
Management's Discussion and Analysis (Continued)**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets, liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of the District that are principally supported by assessed fees assessed as taxes and other funds from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District are fire protection, emergency medical services (EMS) and snow removal.

The government-wide financial statements can be found on pages listed in the table of contents.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds; the general fund and capital projects fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Cedar Mountain Fire Protection District
Management's Discussion and Analysis (Continued)**

The District adopts an annual budget for its general and capital project funds .
A budgetary comparison statement for the general fund has been provided for the
general fund to show legal compliance with this budget.

The basic financial statements can be found as listed in the table of contents.

Notes to the financial statements. The notes provide additional information
that is essential to a full understanding of the data provided in the government-wide
and fund financial statements. The notes to the financial statements can be found
as listed in the table of contents.

Reporting the District as a Whole

The District realizes revenues from several sources; 1)Annual assessment on property
owners in the District, 2)user fees , 3) investment earnings and
4)other sundry revenues.

Contacting the District

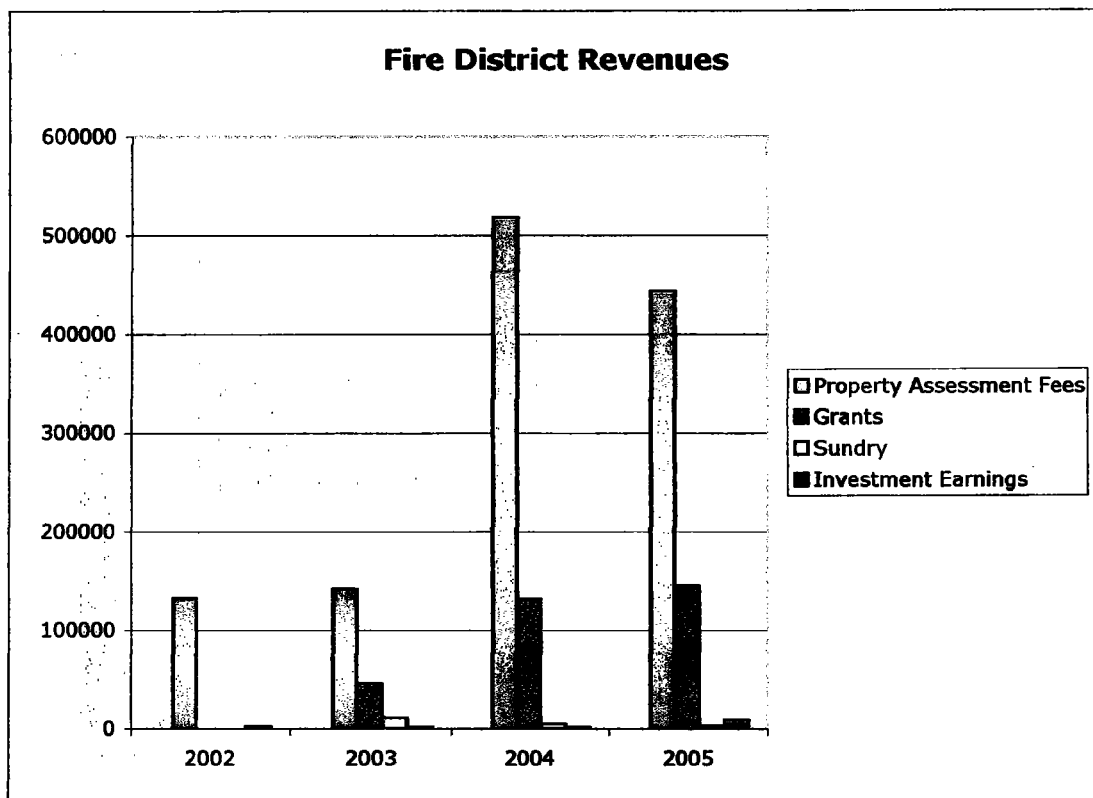
This financial report is designed to provide the citizens with a general overview of the
District's finances and to show accountability for the money it receives. If you have
questions about this report or need additional financial information, contact
Treasurer, William King, P.O. Box 1084, Duck Creek Village, UT 84762.

Condensed Financial Statements:

Assets:	2005	2004	Revenues:	2005	2,004
Current	980,445	525,600	Charges for Services	2,468	4,961
			Grants	145,253	131,620
Non-Current	653,233	503,351	General Revenues	452,079	518,687
Total Assets	1,633,678	1,028,951	Total Revenues	599,800	655,268
Liabilities:			Expenditures:		
Current	47,667	23,715	Current	389,853	156,402
Long-Term	378,987	140,654			-
Total Liabilities	426,654	164,369	Total Expenditures	389,853	156,402
Net Assets:					
Restricted	308,680	349,935	Change in Net Assets	342,442	498,866
Unrestricted	671,765	514,647	Beginning Net Assets	864,582	365,716
Net Assets	980,445	864,582	Ending Net Assets	1,207,024	864,582

Cedar Mountain Fire Protection District Revenue - Four Year Comparison

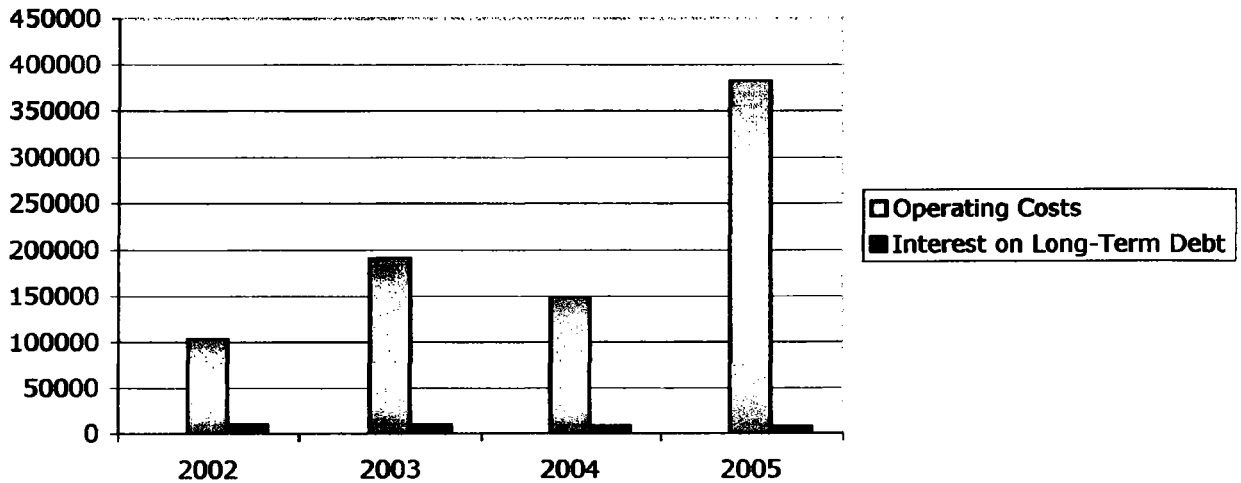
	2002	2003	2004	2005
Property Assessment Fees	132,685	141,913	517,655	443,037
Grants		44,940	131,620	145,253
Sundry		11,079	4,961	2,468
Investment Earnings	2,016	1,341	1,032	9,042
Total	134,701	199,273	655,268	599,800



**Cedar Mountain Fire Protection District
Expenditures - Four Year Comparison**

	2002	2003	2004	2005
Operating Costs	102,578	190,003	148,455	382,991
Interest on Long-Term Debt	9,941	8,960	7,947	6,862
Total	112,519	198,963	156,402	389,853

**Fire Protection Expenditures
EMS Expenditures & Interest On Long-Term Debt**



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BASIC FINANCIAL STATEMENTS

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Investments	968,245
Restricted Assets:	
Temporarily Restricted:	
Revenue Bond Covenant Account	12,200
Capital assets (Net of Accumulated Depreciation):	
Land	115,697
Water Rights	6,430
Buildings	342,359
Vehicles	41,507
Machinery and Equipment	146,850
Construction In Progress	<u>390</u>
TOTAL ASSETS	<u>1,633,678</u>
LIABILITIES	
Current Liabilities:	
Revenue Bonds Payable - Due Within One Year	47,667
Noncurrent Liabilities:	
Revenue Bonds Payable - More Than One Year	<u>378,987</u>
TOTAL LIABILITIES	<u>426,654</u>
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	226,579
Restricted For:	
Debt Service	12,200
Construction	296,480
Unrestricted	<u>671,765</u>
TOTAL NET ASSETS	<u>1,207,024</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,633,678</u></u>

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Contributions Grants</u>	<u>Governmental Activities</u>
Functions/Programs:				
Governmental Activities:				
Fire and EMS Operating Expense	382,991	2,468	145,253	(235,270)
Interest on Long-Term Debt	<u>6,862</u>	<u>-</u>	<u>-</u>	<u>(6,862)</u>
TOTAL REVENUES	<u>389,853</u>	<u>2,468</u>	<u>145,253</u>	<u>(242,132)</u>
		<u>General Revenues:</u>		
		Property Assessment Fees		575,532
		Unrestricted Investment Earnings		<u>9,042</u>
		Total General Revenues		<u>584,574</u>
		Changes in Net Assets		342,442
		Net Assets - Beginning		<u>864,582</u>
		Net Assets - Ending		<u><u>1,207,024</u></u>

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash	671,765	296,480	968,245
Reserved Cash:			
Bond Reserves	<u>12,200</u>	<u>-</u>	<u>12,200</u>
TOTAL ASSETS	<u><u>683,965</u></u>	<u><u>296,480</u></u>	<u><u>980,445</u></u>
LIABILITIES AND FUND EQUITY			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity:			
Fund Balances:			
Reserved for:			
Bond Retirement	12,200	-	12,200
Construction		296,480	296,480
Unreserved	<u>671,765</u>	<u>-</u>	<u>671,765</u>
Total Fund Equity	<u>683,965</u>	<u>296,480</u>	<u>980,445</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>683,965</u></u>	<u><u>296,480</u></u>	<u><u>980,445</u></u>

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2005

Total Fund Balances - Governmental Fund Types	980,445
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	115,697	
Water Rights	6,430	
Fire House	342,359	
Fire Vehicles	41,507	
Fire Equipment	146,850	
Construction In Progress	<u>390</u>	

Total - Net of Depreciation	653,233
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds Payable	<u>(426,654)</u>
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Net Assets of Government Activities	<u><u>1,207,024</u></u>
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**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2005

	General	Capital Projects	Totals
REVENUE			
Property Assessment Fees	443,037	-	443,037
Emergency Road Access Fees	132,495	-	132,495
Other Revenue	2,468	-	2,468
Grants	16,560	-	16,560
Contributions	128,693	-	128,693
Interest Revenue	7,788	1,254	9,042
TOTAL REVENUES	731,041	1,254	732,295
EXPENDITURES			
Current:			
Personnel	110,461	-	110,461
Fire Training and Expense	9,000	-	9,000
Fire Equipment and Supplies	13,934	-	13,934
Insurance	37,046	-	37,046
Fire Warden	5,000	-	5,000
Burn Pit Expense	3,977	-	3,977
Automobile Expense	4,359	-	4,359
Fuel Expense	6,182	-	6,182
Emergency Road Access	70,700	-	70,700
Space Rental	4,800	-	4,800
Professional Services	8,775	-	8,775
Utilities and Telephone	7,087	-	7,087
Office Supplies and Expense	4,837	-	4,837
Maintenance Expense	15,454	-	15,454
Public Relations	14,476	-	14,476
Dues and Subscriptions	2,007	-	2,007
Communications	19,236	-	19,236
Grant Match	2,825	-	2,825
Personal Protective Gear	20,567	-	20,567
Debt Issue Costs	4,500	-	4,500
Capital Outlay	167,650	-	167,650
Debt Service:			
Principal	23,715	-	23,715
Interest	6,862	-	6,862
TOTAL EXPENDITURES	563,450	-	563,450
EXCESS REVENUE OVER (UNDER) EXPENDITURES	167,591	1,254	168,845
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(283,357)	283,357	-
Bond Proceeds	286,000	-	286,000
TOTAL OTHER FINANCING SOURCES (USES)	2,643	283,357	286,000
NET CHANGES IN FUND BALANCES	170,234	284,611	454,845
FUND BALANCE - BEGINNING OF YEAR	513,731	11,869	525,600
FUND BALANCE - END OF YEAR	683,965	296,480	980,445

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	454,845
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	167,650	
Depreciation	<u>(17,768)</u>	
Total		149,882

The issuance of long-term debt (e.g., bonds, leases) provide current financial
resources to governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net assets. This
amount is the net effect of these differences in the treatment of long-term
debt and related items:

Bond Proceeds	(286,000)	
Principal Payments on Long-Term Debt	<u>23,715</u>	
Total		<u>(262,285)</u>

Changes In Net Assets of Governmental Activities	<u><u>342,442</u></u>
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**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cedar Mountain Fire Protection District, a component unit of Kane County, was created by the adoption of a resolution to establish a special service district by the Kane County Commissioners. The District was authorized to perform fire protection within the District and any other lawful activity allowed by the resolution. The Special Service District's Administrative Control Board consists of seven (7) members, each of whom was appointed by the Board of Commissioners. All Board Commissioners appointed the initial one members to serve a two year term and the remaining members serve a two year term. The Board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District has two funds, the General Fund and the Capital Projects Fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	45 Years
Vehicles	10 - 20 Years
Machinery and Equipment	10 - 20 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 2 - BUDGET PROCESS

Cedar Mountain Fire Protection District has properly adopted required budgets for 2005. Changes to the adopted budget were properly made by resolution and public hearing of the District. The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the District's deposits was \$980,445 and the bank balances were \$1,002,704. Of this amount \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Demand Deposits	<u>980,445</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	968,245
Governmental Activities - Restricted	<u>12,200</u>
Total Cash and Investments	<u>980,445</u>

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, \$902,704 of the local government's bank balances of \$1,002,704 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in interest bearing accounts and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 4 - RESERVE FUND - SERIES 1999A BOND

The Series 1999A Lease Revenue Bond requires a reserve fund to be funded over a period of 72 months beginning July 1, 1999 until the sum of \$12,200 is accumulated. The reserve at December 31, 2005, is \$12,200

NOTE 5 - CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	-	115,697	-	115,697
Water Rights	-	6,430	-	6,430
Construction In Progress	-	390	-	390
 Total Capital Assets Not Being Depreciated	 -	 122,517	 -	 122,517
Capital Assets Being Depreciated:				
Fire Station	395,033	-	-	395,033
Fire Vehicles	15,200	36,492	-	51,692
Equipment	149,448	8,614	-	158,062
 Total Capital Assets Being Depreciated	 559,681	 45,106	 -	 604,787
Less Accumulated Depreciation For:				
Fire Station	43,895	8,779	-	52,674
Fire Vehicles	6,080	4,105	-	10,185
Equipment	6,328	4,884	-	11,212
 Total Accumulated Depreciation	 56,303	 17,768	 -	 74,071
 Governmental Activities Capital Assets (Net)	 503,378	 27,338	 -	 530,716
 Governmental Activities Capital Assets, Net	 503,378	 149,855	 -	 653,233

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 6 - GENERAL LONG-TERM DEBT

There were two bonds issued June 7, 1999, by Cedar Mountain Fire Protection District:

- 1) \$140,000 Lease Revenue Bond, Series 1999A which was purchased by the Permanent Community Impact Fund Board. This bond is payable over a fifteen year period beginning January 1, 2001. Interest accruing from January 1, 2000, at the rate of 3.0% per annum.
- 2) \$140,000 Lease Revenue Bond, Series 1999B purchased by State Bank of Southern Utah. Payable over a period of ten years beginning December 31, 1999. Interest will accrue from June 7, 1999, at the rate of 6.0% per annum.

Amortization of these bonds follows:

Lease Revenue Bond, Series 1999A:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	9,000	2,730	11,730
2007	9,000	2,460	11,460
2008	9,000	2,190	11,190
2009	10,000	1,890	11,890
2010	10,000	1,590	11,590
2011-2015	44,000	2,970	46,970
Total	<u>91,000</u>	<u>13,830</u>	<u>104,830</u>

Lease Revenue Bond, Series 1999B:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	15,598	2,979	18,577
2007	16,534	2,043	18,577
2008	17,522	1,055	18,577
Total	<u>49,654</u>	<u>6,077</u>	<u>55,731</u>

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 6 - GENERAL LONG-TERM DEBT (CONTINUED)

Real Property Lease Purchase Agreement:

On July 15, 2005, the District entered into a lease purchase agreement with Zions Bank. The purpose of the lease is to fund the construction of Fire Station Number 2. The lease agreement was \$286,000, payable over ten (10) years with an interest rate of 4.69%. Payments of \$36,482.78 are to begin July 15, 2006, and continue annually until July 15, 2015.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	23,069	13,413	36,482
2007	24,151	12,331	36,482
2008	25,284	11,199	36,483
2009	26,470	10,013	36,483
2010	27,711	8,771	36,482
2011-2015	<u>159,315</u>	<u>23,101</u>	<u>182,416</u>
Total	<u><u>286,000</u></u>	<u><u>78,828</u></u>	<u><u>364,828</u></u>

The following is a summary of total debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	47,667	19,122	66,789
2007	49,685	16,834	66,519
2008	51,806	14,444	66,250
2009	36,470	11,903	48,373
2010	37,711	10,361	48,072
2011-2015	<u>203,315</u>	<u>26,071</u>	<u>229,386</u>
Total	<u><u>426,654</u></u>	<u><u>98,735</u></u>	<u><u>525,389</u></u>

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 6 - GENERAL LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in General Long-Term debt as of December 31, 2005:

	Date of Issue	Interest Rate	Total Issued	Outstanding December 31, 2004	Current Year Changes		Outstanding December 31, 2005
					Additions	Retirements	
Revenue Bonds:							
Lease Revenue Bond, Series 1999A	1999	3%	140,000	100,000	-	9,000	91,000
Lease Revenue Bond, Series 1999B	1999	6%	140,000	64,369	-	14,715	49,654
Real Property Lease Purchase Agreement	2005	4.69%	286,000	-	286,000	-	286,000
Total Long-Term Debt			566,000	164,369	-	23,715	426,654

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries and natural disaster. The District has obtained commercial insurance coverage for these risks through the Glatfelter Insurance Group.

Claims have not exceeded coverage in any of the last three calendar years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary Fund Balance, January 1	<u>513,731</u>	<u>513,731</u>	<u>513,731</u>	<u>-</u>
Resources (Inflows):				
Intergovernmental:				
Property Assessment Fees	430,140	430,140	443,037	12,897
Snow Removal Fees	81,410	81,410	132,495	51,085
Intergovernmental	-	-	16,560	16,560
Interest Income	4,000	4,000	7,788	3,788
Other Income	3,000	2,000	2,468	468
Contributions	-	-	128,693	128,693
Lease Purchase Proceeds	-	-	286,000	286,000
Total Intergovernmental	<u>518,550</u>	<u>517,550</u>	<u>1,017,041</u>	<u>499,491</u>
Amounts Available for				
Appropriation	<u>1,032,281</u>	<u>1,031,281</u>	<u>1,530,772</u>	<u>499,491</u>
Charges to Appropriations (Outflows):				
General Government:				
Fire Protection	282,908	282,908	294,523	(11,615)
Snow Removal	81,410	81,410	70,700	10,710
Capital Outlay	121,662	120,662	167,650	(46,988)
Debt Service	32,570	32,570	30,577	1,993
Transfer To Capital Projects	-	-	283,357	(283,357)
Total Charges to				
Appropriations	<u>518,550</u>	<u>517,550</u>	<u>846,807</u>	<u>(329,257)</u>
Budgetary Fund Balance, December 31	<u>513,731</u>	<u>513,731</u>	<u>683,965</u>	<u>170,234</u>

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Year Ended December 31, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	1,530,772
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(513,731)
Lease proceeds are other financing sources and are not revenues for financial reporting purposes.	<u>(286,000)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>731,041</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	846,807
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(283,357)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>563,450</u></u>

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762

We have audited the financial statements of the governmental activities of Cedar Mountain Fire Protection District, a component unit of Kane County, as and for the year ended December 31, 2005, which collectively comprise Cedar Mountain Fire Protection District's basic financial statements and have issued our report thereon dated June 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Mountain Fire Protection District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Mountain Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Cedar Mountain Fire Protection District in a separate letter dated June 28, 2006.

The Honorable Board Members
Cedar Mountain Fire Protection District
Page -2-

This report is intended solely for the information and use of the audit committee, management, and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 28, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762

We have audited the accompanying financial statements of the governmental activities of Cedar Mountain Fire Protection District, a component unit of Kane County, for the year ended December 31, 2005, and have issued our report thereon dated June 28, 2006. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of Cedar Mountain Fire Protection District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Cedar Mountain Fire Protection District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 28, 2006
Richfield, Utah

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
MANAGEMENT LETTER
DECEMBER 31, 2005

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

June 28, 2002

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762

During our audit of the funds of Cedar Mountain Fire Protection District for the year ended December 31, 2005, we noted a few areas needing corrective action in order for the District to be in compliance with state laws and regulations. We also noted a circumstance that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Fund Balance Limitations

Districts are permitted to accumulate retained earnings or fund balances, as appropriate, in any fund. With respect to the General Fund only, any accumulated fund balance is restricted to the following:

1. 100% of the current year's property tax; or
2. 25% of the total General Fund revenues, if the annual General Fund budget is greater than \$100,000 or 50% of the total General Fund's revenues, if the annual general fund budget is equal to or less than \$100,000.

Finding:

The total revenues of the General Fund for 2005 were \$731,041 and 25% of this would be \$182,760. The total revenues from property taxes was \$443,037. The present unreserved fund balance is \$671,765. This is in excess of revenues from property taxes by \$228,728.

Recommendation:

We recommend that the District maintain the fund balance in the general fund with a balance that is within the amount allowed by State law.

Response:

The District did not receive the property tax revenue until December 2005. The District is currently building a second fire station that will require the use of a sufficient amount of the fund balance in 2006. The District has already obtained a loan to begin the project.

Budgetary Compliance

State law states that employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund.

Finding:

We noted during our audit that actual expenditures were in excess of the adopted budget.

Recommendation:

We recommend that the District monitor its budget with actual expenditures and if it appears that the expenditures are going to exceed the adopted budget amount, a public hearing be held and additional funds budgeted to cover the increase in expenditures.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

INTERNAL CONTROLS:

Cash Management

Finding:

We noted during the audit that the District deposits all of its funds with one bank. The District has funds on deposit with this bank that exceeds the Federal Deposit Insurance of \$100,000 placing the additional funds at risk.

Recommendation:

We recommend that the District consider reducing its risk by depositing funds in other institutions that will increase FDIC on their deposits. Currently each bank will only insure up to \$100,000 of deposits for any one depositor.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Cedar Mountain Fire Protection District's personnel for the cooperation and assistance given us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

RGR/vl